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Production Emergency Loans

Where Loans Are Made: Production emergency loans are made in areas designated by the Secretary of Agriculture where (1) serious losses in agricultural production have occurred as a result of drought, floods, storms, or some other natural calamity, and (2) there is a widespread need among the farmers of the area for credit to continue their normal farming operations and such credit cannot be obtained through commercial banks, cooperative lending institutions or other responsible sources. These loans are authorized by Public Law 38, 81st. Congress, as amended.

How Areas Are Designated: When an emergency arises the State Director of the Farmers Home Administration, acting on information obtained through and recommendations by local agricultural leaders, groups, and agencies, reports to the agency's Administrator in Washington. The report describes the nature and extent of the emergency, furnishes estimates of damage and losses sustained, and gives factual information concerning the availability of local credit and the need for emergency credit. A recommendation for designation of the area is made to the Secretary if such action is justified.

Who Is Eligible: Any established farm owner or farm operator in a designated area is eligible if he (1) has suffered a substantial production loss because of the drought, flood, storm, or other natural calamity, (2) is unable to obtain from other lenders the credit required to continue his normal operations, and (3) has reasonable prospects for success with the assistance of a loan.

Loan Purposes: Loans may be made for the purchase of feed, seed, fertilizer, replacement livestock and equipment; for other essential farm and home operating expenses; and for the replacement or repair of buildings, fences, drainage and irrigation systems on individual farms which were damaged or destroyed by the disaster. Loans may not be made to pay existing debts or to compensate applicants for their losses.

Rates and Terms: Loans bear three percent interest on the unpaid principal, and are scheduled for repayment over the minimum period of time consistent with the borrower's ability to repay. Ordinarily loans secured by liens on chattel property are scheduled for repayment within one to five years and loans for repair or improvement of real estate are scheduled for repayment within one to ten years. Amounts advanced for crop production purposes are repayable when the income derived from the sale of the crops produced with the loans is received.

Security Requirements: Loans are secured by (1) a first lien on all crops to be produced with the loan and on all livestock, farm machinery, and farm equipment purchased with the loan funds, (2) the best lien obtainable on

all other crops growing or to be grown, and (3) whenever necessary, the best lien obtainable on livestock, farm machinery, and farm equipment already owned by the applicant. Real estate security is always required when advances are made primarily for improvements to real estate, and in other instances when necessary to protect the Government's interest.

Applications: Full information concerning production emergency loans, as well as application forms, may be obtained at county offices of the Farmers Home Administration serving the designated area.

Economic Emergency Loans

Public Law 38, 81st. Congress, as amended by Public Law 115, 83rd. Congress, also provides authority for making agricultural loans where the President has designated major disaster areas under Public Law 875, 81st. Congress, provided the Secretary of Agriculture determines that economic conditions in the area resulting from the disaster have caused a need for agricultural credit which cannot be met by existing credit sources. These loans are made under the same policies as those governing production emergency loans, except that applicants are not required to establish a production loss.



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Farmers Home Administration

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